



UNIVERSITI PUTRA MALAYSIA

PUBLIC AFFAIRS DIVISION AT AMR BANK

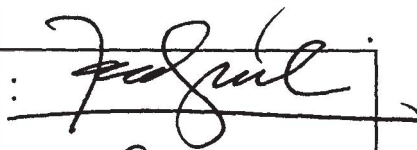
MOHAMED FADZIL BIN MOHAMED ARIFFIN

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Dengan ini saya, **Mohamed Fadzil Bin Mohamed Ariffin**,
No. Matrik **GSO1424** mengaku bahawa kertas projek/kajian
kes untuk kursus **MGT 5988** adalah usaha asal saya sendiri

Tandatangan :



Tarikh :



PUBLIC AFFAIRS DIVISION AT AMR BANK

BY

MOHAMED FADZIL BIN MOHAMED ARIFFIN

**A CASE STUDY SUBMITTED IN PARTIAL FULFILMENT OF THE
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Dedication,

**To the late Haji Ariffin Kadir and beloved Hajjah Zabedah
whom had provided the initial push.**

**To Faisal and Zila for their love,
support, patient and encouragement.**

Thank you.

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Preface

AMR Bank Berhad principal activity was to provide banking services. It started business at a rented three-storey building at Lebuah Ampang, Kuala Lumpur in 1966. In 1997 it became one of Malaysia's largest and most profitable local bank with group net fixed asset reaching RM1.35 billion. By the time it celebrated the silver jubilee anniversary, it was already among the top five financial group, in term of assets, in the country. The bank praised its loyal and committed work force for the invaluable support over the years, along with the Government of Malaysia and the general public, whom all contributed to its success story.

The case had highlighted the roles and the challenges faced by the Public Affair Division's (PAD) Director in strengthening the bank's position, especially in facing stiffer competition in the banking industry expected in the near future. While PAD was successful in identifying and implementing its programs, several issues were threatening its operations. The case tried to identify these issues and understands why problems surfaced, and provide suitable solutions to the problems.

Several constraints were the factors to the problems occurring at PAD. Firstly, it was not empowered to decide on staff rewards and remuneration, even when it was determined that the reward and remuneration package offered by the bank were below than that offered by other organizations. Secondly, many staffs at PAD were new. Many experienced executives had left the bank in search of better career advancement and remuneration at

other organizations. Many were pinched from the division because of their experience in public affairs activities, and the success of AMR Bank's public affairs programs in the eyes of the public. However, the new recruits were lower in productivity and efficiency compared to their predecessors. Coupled with several new programs that were introduced by PAD, the pressure was greatly felt by the Corporate Communication Department, which handled many major programs for the division. Staff workload was high, but sense of urgency to complete one work was low. Staffs' motivations were also reduced due to their lower satisfaction in their pay, benefits, working environment and relationship with fellow employees. Overtime claims were reported to be minimal due to senior executives not interested to stay longer to complete their work.

At the request of the parties concerned, all names and characters used in the case have been disguised. It is a mere coincident if names and characters mentioned throughout the case to be the same in anyway with any person or organization.

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1.0 Public Affairs Dilemma

Encik Abdul Fakir bin Mohd was the Director at AMR Bank's Public Affairs Division (PAD). Fakir main responsibilities, among others, were to identify and to execute public affairs and promotional programs, and to develop sports excellent from among the bank's employees, in line to its long-term mission. PAD was very critical to develop and to project positive image of the bank.

He was leaning back on his chair at his office on the 12th floor, AMR Tower, thinking how to further improve performance at his division. New programs had been increasing steadily during his tenure. While taking up the appointment as PAD's leadsman, human resource matters had occupied so much of his time. Ever since Lesley Devaraj retired, the Sports Department's head position was still left vacate, going into its third month. He had difficulty to move around staffs. He had also noticed that many tasks were untimely completed. On the other hand, overtime claims, especially among officers, were low for the past few months, and, the clerical staffs, whom were protected by the National Union for Bank Employees (NUBE), cannot be forced to work extra hours.

He was hoping to be able to optimize the performance of his subordinates. The success of PAD's programs was greatly depended on the support of its staffs. Though, he thought the human resource issues had cropped up since several of his senior executives left the bank. Some of them had been with the division for more than ten years. He had wished that the working attitude of staffs at PAD could be restored as in the past when

experienced and dedicated staffs ran the division. Many of whom had left the bank to join public affairs or communications department at other organizations.

He was suddenly awakened by knocks from his ajar door. It was the Senior Manager, Azian bt. Shariff. "Can I come in Sir?" She asked. "Sure." He replied. She was supposed to brief Fakir on the progress of the bank's annual dinner and Hadiyah Cerdikiawan that were to be held in the coming quarter. The discussion went on for about half an hour. At the end of the meeting he was quite pleased with the progress made on the annual dinner, but, upset over the slow progress on the Hadiyah Cerdikiawan. "We were having some problems at the department." She tried to explain. "I have two temporary vacancy, one of which involving an experienced executive. The other is a clerk. Both have been absent due to maternity leave, they are expected to be back only by the end of next month."

Earlier in the day Fakir had a meeting with the President which among others discussed on the PAD annual budget. The allocation for PAD was trimmed to RM6.0 million. In the past PAD had no such budget allocation. Its spending power was undefined, as long as the money spent were in accordance to the bank's guidelines and policy. A day earlier, he had a meeting with his senior officers on the possibility of using the television media to promote the bank. This was something that the bank had for so long not interested in doing.

2.0 The Director

Fakir was appointed as the Director of PAD in 1996, succeeding the out-going Dr. Nor Salleh bin Sudin due to retirement age. As the person in-charged at PAD, Fakir was responsible in strengthening the bank's position by identifying new programs for public affairs and improving existing activities. Fakir obtained an Advanced Diploma in Mass-Communication from University Teknologi Mara (formerly known as Institute Teknologi Mara or ITM). He later received a Masters of Science degree in Mass-Communication from Universiti Putra Malaysia. He was among the first batch of graduates from ITM (coincidentally, among the first Malay graduates) employed by the bank in 1977. Fakir first joined the bank as an officer trainee at PAD where he worked under Dr. Salleh until 1987. He decided to opt for more knowledge in banking operations and requested to be transferred to a branch. He was later seconded to a branch at Jalan Raja Laut, Kuala Lumpur as the Assistant Manager. However, after completing three months as the second man, he was promoted to become the Manager at SS2 branch in Petaling Jaya. He had gained extensive experience in banking operations and business networking after spending almost ten years at several branches within the Klang Valley before being recalled to the head-office to succeed Dr. Salleh.

3.0 AMR Bank in Brief

3.1 History

AMR Bank Berhad opened its door for business on September 6, 1966 in Kuala Lumpur. In reflecting the multi-ethnic Malaysia, all major races were represented in the share-ownership. The first Prime Minister officially opened the bank on September 4, 1967. In his maiden speech as the then AMR Bank's Managing Director, Dato' Hong Kim Wee said, "It shall be our dedicated task ... to foster and strengthen this growth and thus justify the faith and confidence placed in us by the Government and citizens of this country." It was not until the early seventies that the bank began to use strategic management approach and implemented several changes amicable for its success in the years that follows. The bank was always the supporter of policies and programs introduced by the Government. The New Economic Policy (NEP) announced in 1970, among others, emphasized on the eradication of poverty and the restructuring of the society. NEP make compulsory the 30 percent equity participation by the Bumiputras and their representation at all levels of employment to reflect racial composition in the country. Responding to that, the Bank provided college and university scholarships to Bumiputra students with stipulation that they serve the bank after graduation. The Bank also made plans then for the restructuring of its equity. By 1981, AMR Bank had conformed to all the requirements of the NEP. In the following year, it was granted the Approval Bank Status by the Ministry of Finance, putting it in a position to receive deposits from the Government and to provide services to it.

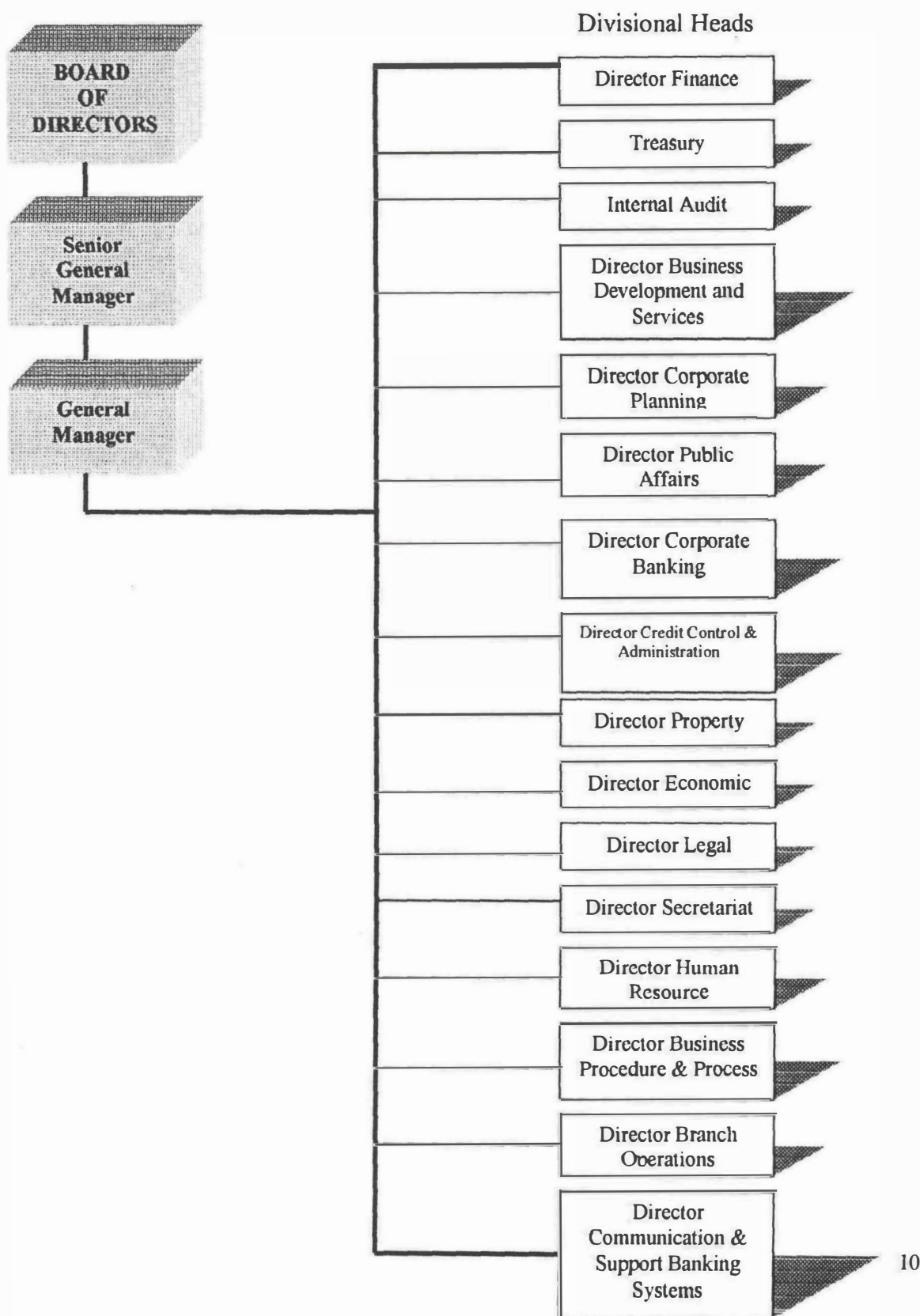
3.2 Performance

The bank started operation at a 4,500 square feet rented office named the Kuala Lumpur Main Office. Even before it was official opened, it had already started to expand its branches at other states. By 1997 it had a total of 172 domestic branches, which retained AMR Bank's position as the third largest bank in terms of branches. It had only two branches in 1966. It also maintains 275 automated teller machines (ATMs) in 1997 in which 23 machines were located in strategic locations such as shopping malls, office complexes and factories. In the first year of operations it had only 62 employees. By 1986 it recorded a work force of 2,387 people. Figure 1.0 portrays the bank's corporate structure as per 1997.

The bank had never recorded a negative Net Profit After Tax. It made RM71,000 during the first year of operations. By 1976 it recorded RM1.77 million. Even during the recessionary period of 1986 it recorded a net profit of RM7.8 million. In 1997 it made RM227.9 million. Paid-up capital was RM12.75 million in 1966, but grew to RM826.6 million in 1997. With the sizeable capital and favorable profitability track records, Bank Negara Malaysia awarded the bank with Tier-1 status. That gave it the advantage over other banks in terms of funding and deposits from the Government and also allows it to expand more rapidly and to offer more innovative services.

Figure 1.0:

AMR Bank Corporate Structure



Being a financial institution, the wellbeing of AMR Bank has to be seen in terms of its financial growth. This growth is reflected in a significant way in the status of its deposits, assets, loans and advances. Tables 1 through 3 present the status of each of the indicators and their respective rates of growth in AMR Bank for the period 1967 to 1986. As can be seen from the tables, the bank enjoyed good financial performance for the period 1967 to 1986.

Table 2.0: AMR Bank Total Deposits, 1967-1986

Year	Deposits (RM million)	Percent Increase
1967	40.6	
1968	54.2	33.5
1969	64.4	18.8
1970	67.3	4.5
1971	76.0	12.9
1972	90.0	18.4
1973	111.9	24.3
1974	112.2	0.3
1975	151.0	34.6
1976	184.9	22.4
1977	228.9	23.8
1978	278.8	21.8
1979	393.9	41.3
1980	857.9	117.8
1981	1,430.1	66.7
1982	1,999.7	39.8
1983	2,718.2	35.9
1984	3,547.9	30.5
1985	3,879.0	9.3
1986	4,409.9	13.7
1967-1986		

(Source: AMR Bank Entrepreneurship and Corporate Citizenship, 1987)

Table 3.0: AMR Bank Total Assets, 1967-1986

Year	Assets (RM million)	Percent Increase
1967	58.0	
1968	73.0	25.9
1969	85.3	16.8
1970	88.1	3.3
1971	96.2	9.2
1972	113.9	18.4
1973	143.0	25.5
1974	139.0	-3.8
1975	180.5	29.9
1976	216.6	20.0
1977	266.0	22.8
1978	318.4	19.7
1979	445.9	40.0
1980	933.7	109.4
1981	1,554.1	66.4
1982	2,279.1	46.7
1983	3,162.8	38.8
1984	4,045.0	27.9
1985	4,361.4	7.8
1986	4,897.6	12.3
1967-1986		

(Source: AMR Bank Entrepreneurship and Corporate Citizenship, 1987)

Table 4.0: AMR Bank Loans and Advances, 1967-1986

Year	Loans (RM million)	Percent Increase
1967	18.2	
1968	127.2	49.5
1969	28.7	5.5
1970	33.5	16.7
1971	38.6	15.2
1972	42.8	10.9
1973	72.2	68.7
1974	78.6	8.9
1975	89.8	14.2
1976	103.4	15.1
1977	127.5	23.3
1978	184.2	44.4
1979	236.7	28.5
1980	445.4	88.2

1981	956.1	114.7
1982	1,296.0	35.6
1983	1,618.3	24.9
1984	2,070.2	27.9
1985	2,419.7	16.9
1986	2,545.8	5.2
1967-1986		

(Source: AMR Bank Entrepreneurship and Corporate Citizenship, 1987)

4.0 Public Affairs Division

PAD maintained a staff force of 34 people, divided into three separate departments, namely the Corporate Communication Department, the Advertising Department and the Sports Department (refer figure 2.0). These departments were led by Puan Azian binti Shariff, the Senior Manager for Corporate Communication, Miss Nancy Seng, the Manager for Advertising, and Miss Jocye Ong, the Senior Executive for Sports. Joyce was made the acting head at Sports Department when Lesley Devaraj retired late in 1998. The Corporate Communication Department maintained a workforce consisting of 10 senior executives, 8 clerks and an office boy, while the Advertising Department had 4 senior executives, 4 clerks and an office boy. The Sports department had 3 senior executives and 2 clerks.

The Corporate Communication Department was responsible for community projects, image building and public relations. Recently, the department had also been involved in organizing the bank's annual dinner and publications. PAD published a number of publications namely the bank's annual reports and interim reports, the President's New

Year address, and Majalah Winner -- a quarterly magazine for staff of happenings in the bank. Its annual reports received credentials and won awards many times in several categories like the Best Annual Report award from the Kuala Lumpur Stock Exchange.

The Advertising Department was responsible for promotions and managing the souvenir and gifts showroom at the 12th floor, AMR Tower, while the Sports Department was responsible for all matters relating to sports whenever the bank was participating and/or sponsoring.

Most staffs were stationed in individual four feet high cubicles. The idea was to provide adequate privacy to staffs to concentrate on their given functions. However, to interact with the person next door, they had to stand in full stretch. Once in their stations, they were unlikely to move around, unless they really had to go somewhere. Staffs normally interact within the division through telephones, but conversations often limited to matters relating to work. Most staffs were very professional and specialized, but lack in depth knowledge of their fellow member duties.

PAD maintained staffs force from differing backgrounds. Some Senior Executives came up to their position from rank and file, while others recruited from outside the bank. Many were also employed fresh after graduation in their related fields, but had been with the division for a number of years. However, many clerical staffs were newly recruited. Their senior colleagues had to be transferred to other departments within the bank due to

them being promoted as officers. The bank had a silenced policy of not retaining a promoted clerk at the same place.

PAD used to have a very active social club that organized functions and trips for members at the division. Every member of the staff contributed at least RM2.00 monthly (depending on their respective rank) for the club fund. Money from the fund collected was used to held small birthday party for staffs and any extra for the year was spent for dinner or local trip. But, it had since gone along with the staffs whom championed it. Back then, the staffs were very closed together and they worked hard to ensure quality and efficiency in their respective tasks.

The PAD Organization Chart



Image building, especially through social projects, was a priority to the bank. PAD was responsible to develop AMR Bank's corporate citizenship responsibilities that were a part of its image building strategies. AMR Bank manifests its corporate citizenship role in many spheres of civic activities. The major ones include programs in education, students adventures, professional, cultural, academic/linguistics, welfare, community and environmental as well as in sports. The corporate citizenship encompasses of four main part that include:

- i. Economic responsibilities - To produce goods and services that society wants and to sell them at a fair price.
- ii. Legal responsibilities - To comply with the laws and regulations.
- iii. Ethical responsibilities - To meet performance expected by society but which has not been embodied in law.
- iv. Discretionary responsibilities - To engage in social activities that are not mandated, not required by law, and not generally expected of business in an "ethical" sense.

As clarified by Choo Wai Ling of PAD, the corporate citizenship was measured in terms of its performance as a social unit through its contributions toward improving the general wellbeing of society. AMR Bank goal via its PAD was to be involved in community betterment and the development of a better world thereby enhancing the quality of life.

"As a responsible corporate citizen, the bank was always conscious of the needs of the communities which it serves ", she said.

Fakir informed that image development had been a success factor for the AMR Banking Group. Transformation of its image was needed to effectively generate greater customer base and better relationship with the authorities. In the beginning, AMR Bank was perceived as a Chinese-man bank. Business was limited to a fraction of the general public. It took the bank more than two decades of continued efforts in public affairs strategies, ensuring it being accepted and supported by the Malaysian public. A list of PAD activities is highlighted under Appendix 1.

5.0 Human Resource

The Human Resource Division (HRD) handled the human resource management function at AMR Bank. All matters relating to staff salary, reward and benefits, and training and development for PAD were developed by HRD. Similar to other divisions and departments at the bank, the HRD overlook all requirements for human resource for AMR Bank.

The Human Resource Division was concentrating to ease staff constraint at the operations level, where the bank's bread and butter was. As the bank was expanding very rapidly, its number of new branches opened in a year was higher for the past few years. The priority was to ensure that the branch operations were given ample manpower supply for their effective running of the banking services. Quality service was the bank main priority, as

this directly affects performance and image of the bank in the eyes of the customers, the authorities and the general public. In the early nineteen nineties the bank was concentrating only on acquiring deposits from its customers. Often, only three to four officers and seven non-executive staffs ran new branches. However, as the market demand grew, it had to include other types of services such as remittances, credits, trade financing and safe deposit boxes at these branches.

Fakir stressed that PAD success and its ability to groom its human resource had put it into venerable position of losing staffs due to external pinching. Many senior staffs had left the division for public relations position at other organizations. Due to restrictions imposed by Bank Negara Malaysia, they were only permitted to joint non-financial institution companies. From the period of 1991 to 1998, there were at least six senior executives who took up offers from these organizations.

5.1 Staff Positions and Admission Requirements

The lower executive position at AMR Bank was divided into two categories, Operations Officer (OO) and Senior Executive (SE). Senior Executives working in branches performing operational functions, were termed as Senior Operations Officers (SOO). The entry-level requirement for an OO was a Diploma from any institution of higher learning approved by the Government or a holder of the Malaysian Institute of Banks' (IBBM) final part examination. They were employed as Officer Trainee (OT) during the confirmation period of one year, after which they were made Operations Officers. For Senior Executive position, the entry-level requirement however, was a degree, preferably

in business related field. They started as Graduate Trainees (GT) during the confirmation period of twelve months, after which they were ranked as either Senior Operations Officer (SOO) or Senior Executive. The next rank after the SOO was the Assistant Manager (AM). Assistant Managers were normally promoted Senior Executives with a long track record working at the bank. There were also several AMs whom were employed from outside the bank. An Assistant Manager next position was the Manager (M). Similar to the AM, the M were long serving high achievers of the bank.

For the clerical position, the entry-level requirement was that, at least Sijil Pelajaran Malaysia (SPM) grade 2 with credits in Bahasa Melayu, English and Mathematics. However, for the period of 1992 to 1997, due to the employee's job market, the bank had to revise its requirement to SPM grade 2 with at least two credits from the three mentioned subjects. Later, the requirement was revised again to only SPM grade 2. For non-clerical staff such as driver and office boy positions the employment requirement were SPM grade 3 or a pass in the Sijil Rendah Pelajaran (SRP) or the Peperiksaan Menengah Rendah (PMR), whom must also possess a valid motor vehicle driver's license.

5.2 Salary Scale

Against their working experience and qualification, a confirmed Operations Officer drew a salary in the range of RM1,250 to RM1,300 per month. On the other hand, Senior Executives drew a monthly salary of between RM1,800 to RM1,900 upon their confirmation. Depending on the qualification and experience of an AM, the salary drawn at this position was in the range of RM3,000 per month. For a Manager, the took back